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June 23, 1978

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UNIVERSITY OF CALIFORNIA

TO: CITY COUNCIL
FROM: NORMAN R. KING, CITY MANAGER
SUBJECT: SALARY ADJUSTMENTS

The council has reviewed information and discussed salary adjustments several times during the past six weeks in executive session. From those discussions, the council has endorsed the desirability to proceed with the two approved memoranda of understanding and similar adjustments for unrepresented personnel.

I would request that final action on the salary salary resolutions be held until after the executive session discussion at which time specific salary situations can be discussed.

This memorandum reviews some of the issues surrounding salary considerations, most of which the council is quite familiar. However, it is appropriate to provide a complete background of the situation for the employees and general public.

1. Existing Contracts - Last year the city council authorized two multi-year memoranda of understanding (MOU). An MOU is somewhat similar to a wage contract in private industry and the procedure for such is authorized, in fact, mandated by the state legislature. Fiscal year 1978-79 will be the second year of the three-year police agreement and the second and final year of the agreement with the Teamsters.

The basic terms of the agreements for 1978-79 are:

Police:

- 3.5 percent employer paid portion of PERS
- 3 percent increase in upgraded retirement program²
- one additional holiday
- maximum \$50 per month city payment toward employee's health insurance¹

Teamsters:

- 3.5 percent employer paid portion of PERS
- 2 percent increase in salary adjustment
- maximum \$50 per month city payment toward employee's health insurance¹

Our Memoranda of Understanding provide for no reopeners and on this basis I have been advised that the agreements cannot be reopened unilaterally. I have discussed with representatives of Teamsters and Police Association the possibility of reopening negotiations in order to use the "savings" to at least temporarily reduce the impact of proposition 13 cutbacks. In both cases, I was advised that the employee organizations felt that the existing agreements should be honored, and they did not wish to reopen discussions.

As previously discussed with the council, I recommend that unrepresented employees, which include management, supervisory, confidential, and clerical employees, receive the following salary adjustments:

- 3.5 percent increase in city payment of PERS contribution
- 3 percent salary adjustment²
- maximum \$50 per month city payment toward employee's health insurance¹

Unlike many cities, Claremont is fortunate that a great number of the non-represented employees identify with the management of the city. For instance, sergeants in our department are not represented by the police association. Leadmen in the community services department are not represented by Teamsters. In my opinion though not legally required in this case, not to give equivalent salary adjustments to unrepresented personnel will ultimately be quite destructive to the general management orientation of many supervisory and other employees and in some circumstances will intensify already existing compression problems.

2. Cost of the Adjustments - We have calculated the approximate cost of the adjustment by employee group. These calculations reflect the ultimate reduction of 25 positions from the 1977-78 authorized level. This will reduce total number of full-time city positions from approximately 126 to 101, and property tax funded positions from approximately 110 to 85.

Police department	Cost of Adjustment: \$45,000
Teamsters	Cost of Adjustment: \$18,000
All other	Cost of Adjustment: <u>\$34,500</u>
Total Cost of Adjustment: \$97,500	

It should be noted that as a result of the council decision to "depool" miscellaneous employees under the Public Employees Retirement System that the city will reduce city employee retirement system costs by approximately \$40,000 per year. In order to depool, a new benefit must be established (which was sick leave conversion). If this savings is calculated, the actual net increase for salary adjustment cost to the city is approximately \$58,000 (\$98,000 less \$40,000).

In addition, the city will save another approximately \$40,000 because of city council's action to add a retrospective endorsement to our worker's compensation insurance policy. If this savings is also applied, the city's increased cost to cover all proposed salary adjustments and personnel expenditures would be only \$18,000 next year.

3. Why not an Across-the-Board Freeze (even if it were legal)? - Some agencies, especially those without binding contracts, are considering freezing wages at present levels. In some cases, this is being done because there is evidence that the salary levels of those jurisdictions, in general, exceed wages paid both by comparable public and private agencies. In other cases, the response was motivated primarily as a means of reducing the overall "deficit" produced by proposition 13, and a means to avoid direct layoffs of personnel. Although this response has some attractions to certain jurisdictions, I do not believe it would be wise for the city of Claremont to pursue an across-the-board freeze. I believe this is true because:
- A. Except for sworn police personnel, most of the city's jobs are directly comparable or transferable to private industry. Although it is obvious that the level of hiring by other public agencies will be sharply reduced in the immediate future, most of our employees have job skills which are directly transferable to private industry and, consequently, our wage levels must be competitive.
 - B. There is substantial documentation that Claremont is significantly on the low side of wage and benefit compensation when compared to other cities in our immediate area and other cities of our size throughout California. (This is discussed in more detail below.)
 - C. Because of proposition 13 induced cutbacks, it is inevitable that we will have fewer people attempting to do the same amount of work. Although in some situations this will result in some employees working "harder", I believe the present level of individual employee productivity is rather high. In the long run, as is the case in both the public and private sector, improved efficiency will result primarily from improved organization and supervision of the work itself and from technology advances; less from "working harder". In this situation, I believe a primary objective of the city should be to pay a fair wage. If we drop below fair wages, we are sure to find that our most productive employees will be the first to leave the city. On the other hand, another objective must be to continually examine how we can best organize and supervise our work production and implement technological improvements.

I would like to again point out that the authorized level of employees in 1977-78 (per thousand people and per thousand housing unit) is lower than in 1970. In other words, the city work force has already grown smaller in comparison to the size of the city. Now with proposition 13, we will be dropping back approximately 22 percent (of property tax funded employees) from the existing level.

- D. Finally, I believe that an across-the-board freeze must be viewed as only a temporary and illusory solution which could significantly compound the problems created by proposition 13 in a city such as Claremont in which wages are already below comparable jurisdictions. If an increase is not given one year, it is inevitable that one will be necessary in the following year (given past inflationary trends). If the "salary savings" accrued from not giving a wage increase one year are used to maintain an artificially high level of servicees which cannot be sustained in the future, it is highly likely that future position terminations or layoffs will be necessary in order to fund the wage increase. Although we have several months in which to phase the proposition 13 related cutbacks, I believe it would be unwise for Claremont to delay, for a full year, the impact of proposition 13 reductions. Because it seems quite likely that we can avoid direct layoffs, it would be hard to make the case (unlike many other jurisdictions) that "salary savings" will actually prevent layoffs.

4. Comparative Salary and Fringe Benefit Data -

Salary Data: A considerable amount of comparative salary data has been collected. This data is best used when comparing standard classification positions to other jurisdictions. The following summary of the salary data is based upon a survey of classifications which represent 85 percent of the total number of full-time, non-management city employees. Data is not summarized for management and supervisory personnel because the great number of single classification positions make comparisons difficult. The council has specific data on those relatively few Group I positions that are directly comparable.

SUMMARY OF 1978 SALARY SURVEY

The following summary is based on a survey of classifications which represent 85% of the total full-time non-management city employees.

	9 LOCAL AGENCIES SURVEYED		21 LOCAL AND SO. CALIF. AGENCIES SURVEYED	
	<u>Police Dept.</u>	<u>All Other</u>	<u>Police Dept</u>	<u>All Other</u>
NUMBER OF EMPLOYEES:				
1) above the salary mean	94% ¹	2%	24%	11%
2) (\pm) .5%	0	9	46%	1
3) below the salary mean	6%	98% ²	30%	89% ³
Total employees in surveyed classes	33	45	33	53
Total possible	34	59	34	67

Note:

¹ Average percent above the mean for 94% of police department employees is 4%.

² Average percent below the mean for 98% of all other employees is 6.2%

³ Average percent below the mean for 89% of all other employees is 7.7%

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Fringe Benefit Data: A review of comparative fringe benefit information for police officers has indicated substantial differences in retirement program and health benefits with Claremont on the low side. We are presently approximately 3% behind the average city police department retirement benefits. (Note that the proposed 3% increase in the PERS program would bring Claremont up to approximately the average situation.) The police department is approximately \$40 per month behind the survey average in regard to the city's contribution for health insurance. This is equal to almost 3% of an average police officer's salary. Finally, the survey average indicated an average of 10.5 holidays per year compared to the present 8 holidays per year for the Claremont Police Department.

The fringe benefit picture for non-sworn personnel indicated that Claremont is below average in both holidays and city contribution on health insurance. Claremont pays approximately \$40 per month less than the survey average for health insurance, and this amounts to over 4% of the salary of a sr. account clerk. The survey average was 12 annual holidays as compared to Claremont's nine.

Although the situation will obviously vary from position to position, when both the salary and fringe benefit data is considered, it appears that the average Claremont sworn employee receives about 3 to 4 percent less total compensation than the survey average. The average non-sworn employee receives from 8 to 11 percent less total compensation than the survey average.

5. Employee Turnover - Many people view government jobs as a very secure and non-mobile situation. This is not true for Claremont, especially for non-police personnel. I personally believe that, as a rule of thumb, a 15 to 18 percent yearly attrition rate is desirable to insure new blood and ideas. However, as the following figures indicate, non-police turnover has averaged 24 percent in the past year. I believe that the rate of attrition has been, to some extent, caused by our relatively lower-than-average pay situation.

ATTRITION RATE: FULL-TIME (NON-CETA) EMPLOYEES

	<u>1976-77</u>	<u>1977-78</u>
Police Dept. Employees	11%	7%*
All Other Employees	20%	24%

*The attrition rate for sworn personnel was 12 percent in 1976-77 and 0% in 1977-78.

6. One week ago it came to my attention that the annual memo to city employees stating they were eligible for free swimming at the El Roble pool was about to be circulated. This practice has existed in Claremont since at least before I came to Claremont in 1969, though it has not been heavily used (last year employees used the free swim to the tune of \$100). I could not immediately find specific authorization for such a benefit. Rather than face complaints about this practice from citizens who were paying increased swimming fees, I have canceled this privilege for city employees for this summer.

RECOMMENDATION:

With the above in mind and after additional executive session discussion, I would recommend that a) the council implement the previously adopted memoranda of understanding and allocate similar increases to the unrepresented personnel; and b) that the council go on record to the effect that during the following year the council will review comparative compensation data concerning both public and private employment and the to-be completed classification study so that if any wage increase is appropriate in one years time, maximum emphasis can be placed on selective increases as opposed to across the board adjustments.

Respectfully submitted,

Norman R. King

Norman R. King
City Manager

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¹ Presently, the city is paying \$32 per month toward the employee's health insurance program. For 1977-78 it was agreed that the city's share would go up to \$42 per month if there was an increase in cost imposed by the carrier. As there was no increase in 1977-78, we anticipate that there will be an increase next year and that although according to our contract our maximum liability would be up to \$50 per month, we anticipate that an increase would be no more than \$42 per month, or a \$10 per month increase effective in November 1978.

² The city council has approved the first and second reading of the ordinance implementing the 3 percent increase allocated to an upgraded police retirement program. This will (must) apply to all sworn personnel, not just those represented by the police association.

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